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Montgomery Passes Preliminary Budget That Raises Tax Bills

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Montgomery County Council members unanimously backed a $4.3 billion budget yesterday that would increase property tax bills for the average homeowner by about 13 percent and leave labor union contracts untouched.

Council members reached consensus, after being evenly split one day earlier, by cobbling together a deal that upholds labor agreements; requires trims to government and school system operations; and taps funds for capital projects to balance the books for fiscal 2009.

With the preliminary vote, Montgomery joins several local governments in leaning more heavily on taxpayers amid a stagnant economy and sagging real estate prices. Last month, Fairfax County increased its property tax rate by three cents; Prince William County approved a 21-cent increase; and Loudoun County added 18 cents to its rate.

Although Montgomery avoided raising its tax rate, council members voted to exceed the cap on how much the county can collect from homeowners in a given year. That effectively raised property taxes.

The District raised tobacco and business taxes in a budget passed this week but kept the property tax rate steady and has been largely insulated from the real estate downturn.

In Montgomery, council members Phil Andrews (D-Gaithersburg-Rockville) and Duchy Trachtenberg (D-At Large), who had pressed to roll back raises for workers by two percentage points, said they were satisfied that the compromise would reduce personnel costs.

"It's not as broad as I would have liked, but it is the most the council would agree to," Andrews said after the vote. "It is a step in the right direction and keeps the pressure

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Tax Rate Unchanged in Budget

on the executive and the school system to restrain employee costs."

In the past decade, spending in Montgomery has outpaced inflation, population growth and public school enrollment. Revenue from income and real estate taxes has not kept up in the past year, and increases in state aid have declined.

Elected officials in Montgomery began this year's budget debate staring down the county's deepest ever potential shortfall. To close the nearly $300 million gap, council members agreed in a temperature-taking vote yesterday to hold the property tax rate at the current level instead of raising it by 7.5 cents, as County Executive Isiah Leggett (D) had recommended. Homeowners also would receive a tax credit of $579 for primary residences to reduce the impact of rising assessments, measured over a multi-year period.

Even so, residents would pay an average of 13.4 percent more in taxes in fiscal 2009 if the final budget is adopted Thursday, as expected.

"It doesn't mean they're not going to pay more, but we've gone to great lengths to minimize how much more," said County Council President Michael Knapp (D-Upcounty), who broke the stalemate late Thursday after shuttling between council members' offices.

The council's action means the panel will exceed the county charter's limit on property tax revenue for the fourth time in 17 years. The limit ties increases to the rate of inflation, on average 3.6 percent.

For the median-priced home of $343,200, the tax bill would rise $316, or 14.3 percent, to $2,520. Under Leggett's plan, which offered a larger credit, the bill would have increased 6.2 percent, or $137. Council members were concerned about the effect of Leggett's approach on renters. It would have raised taxes on the typical apartment building by 20.7 percent.

"While I may differ with a few aspects of the choices they made, we are substantially in agreement," Leggett said in a statement.

Overall spending under the council plan would increase 4.3 percent, the smallest year-to-year increase in at least 12 years. Funding for Montgomery's public schools would rise by more than 4 percent — short of

BY LUCIAN PERKINS — THE WASHINGTON POST

County Executive Isiah Leggett had recommended raising the tax rate.

the funding the system requested, but $10 million more than Leggett recommended. Schools Superintendent Jerry D. Weast commended the council yesterday for "keeping safety and education strong" and said the funding would allow him to retain academic initiatives, such as adding math and reading specialists in middle schools.

The council scrapped Leggett's suggestion to impose an ambulance transport fee and instead increased the local energy tax rate to raise $11 million. On average, homeowners would pay about $10 more a year under the new rate. Residents also would pay more for Ride On bus passes, after-school programs at community centers and parking in public lots in Wheaton and Silver Spring.

Council members also rejected Leggett's proposed trims to fire services in Glen Echo and Laytonsville. They ensured funding for police recruits and community outreach officers, in addition to in-home care for the elderly, community clinics and all-day services at a men's homeless shelter.

Roger Berliner (D-Potomac-Bethesda) said the budget "does a lot of good for a lot of people in a very difficult time," but he cautioned, "Next year isn't going to be a pretty year. All indications are this is not a one-year blip."

As they debated this month, council members were under pressure from county workers to protect their contracts, which provide most general government workers with raises of 8 percent.

Workers booed and shouted during work sessions when Andrews and Trachtenberg suggested shaving $40 million from contracts, and one union prepared a mock "wanted" poster with their pictures, labeling the two as "Contract Busters & COLA thieves." On Thursday, Andrews floated the idea of requiring workers to take two days of unpaid time off. That suggestion also sputtered after the county attorney's office said such an action would require renegotiating contracts.

Throughout the discussion, council members Valerie Ervin (D-Silver Spring) and George L. Leventhal (D-At Large) held firm against changing negotiated contracts.

Marvin Weinman, president of the Montgomery County Taxpayers League, said yesterday that the council's budget is shortsighted because it does not address the underlying mismatch between spending and revenue.

"They played at the edges," he said. "They didn't make life any easier for next year, which is only going to be worse."

Council members retained the county's traditional 6 percent reserve fund. But to free up funding for core services in the last days of debate, the panel opted to defy a policy passed in recent years and dip into a $30 million cash fund for bricks-and-mortar projects. The fund serves in part as a sign of fiscal prudence to Wall Street rating agencies.

Leggett's chief administrative officer, Tim Firestine, said using such money is a short-term fix that limits the county's flexibility in tough economic times.

"If you're going to use gimmicks to cut taxes, that might be a short-term solution, but it creates a long-term nightmare," he said.

As part of the final compromise, council members also took the unusual step of turning back to Leggett to find an additional $8 million in unspecified trims from county government operations. Leggett said yesterday in an interview on WAMU (88.5 FM) that he is prepared to find cuts "that will pare back part of the benefits county employees receive."

Savings could be achieved by abolishing vacant positions, increasing the number of early retirement packages the county offers or getting union leaders to agree to unpaid time off for workers.

After the vote, the leader of the county's largest union, Gino Renne, declared victory but said, "I don't want anyone to believe that employees aren't going to pay a price. We're going to work more with less."